Amendments to the Specification:

Please replace paragraph [0013] with the following amended paragraph:

[0013] Thus, the present invention comprises a combination of features and advantages which enable it to overcome various problems of prior devices. The various characteristics described above, as ~~well~~ well as other features, will be readily apparent to those skilled in the art upon reading the following detailed description of the preferred embodiments of the invention, and by referring to the accompanying drawings.

Please replace paragraph [0035] with the following amended paragraph:

[0035] The illustration of Figure 8A assumes that it is desired that all the pixels A F of the exemplary graphics object find their way into the picture, and thus all the pixels A F contribute to the combined chrominance value 800. However, in the case where a particular pixel of the graphics object is not meant to replace a pixel in the picture, the calculation of the combined chrominance value 800 preferably does not include a contribution from that pixel. Figure 8B illustrates a situation where the pixel values B, E and F are not meant to replace the corresponding pixels in the picture (indicated by a "0" proximate to the pixel). In this case, the combined chrominance value 800 is comprised only of contributions from pixels A, C and D. Equation 1 below illustrates the calculation of the chrominance value in this exemplary case.

$$CHO = (1 \bullet 1/8 \bullet A) + (0 \bullet 1/4 \bullet B) + (1 \bullet 1/8 \bullet C) + (1 \bullet 1/8 \bullet D) + (0 \bullet 1/4 \bullet E) + (\underline{10}\underline{1} \bullet 1/8 \bullet F) \quad (1)$$

Where CHO is the down-sampled chrominance value (800) placed in the compressed graphics object.

Please replace paragraph [0036] with the following amended paragraph:

[0036] In accordance with embodiments of the invention, a weight factor is defined for each down-sampled chrominance value, the weight factor playing a part in the blending of chrominance values of the compressed graphics overlay and the compressed digital picture. Using Figure 8B as an example, the weight factor may be defined as a summation of the relative contributions of each of the pixels from the 4:4:4 space (if any). Equations 2 and 3, reproduced immediately below, illustrate calculation of the weight factor W for the exemplary system of Figure 8B.

$$W = (1 \cdot 1/8) + (0 \cdot 1/4) + (1 \cdot 1/8) + (1 \cdot 1/8) + (0 \cdot 1/4) + (1 \cdot 1/8) \quad (2)$$

$$W = 3/8 \quad (3)$$

For the exemplary portion of the graphics overlay of Figure 8B, the pixel A contributes 1/8, pixel C contributes 1/8, and the pixel D contributes 1/8 for a total weight factor of 3/8 (Equation 3). In order that the weight factor may be found and used during combining of chrominance values, in at least some embodiments the weight factor is stored within the compressed graphics object. In some embodiments, the weight factors may be stored within the compressed graphics object, yet separate from the combined chrominance values. In alternative embodiments, the least significant bits of each combined chrominance value may be dedicated to storing the weight factor.